Industrial Distribution

January 1985

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Hotline:
"Zero inventory" poses questions for distributors

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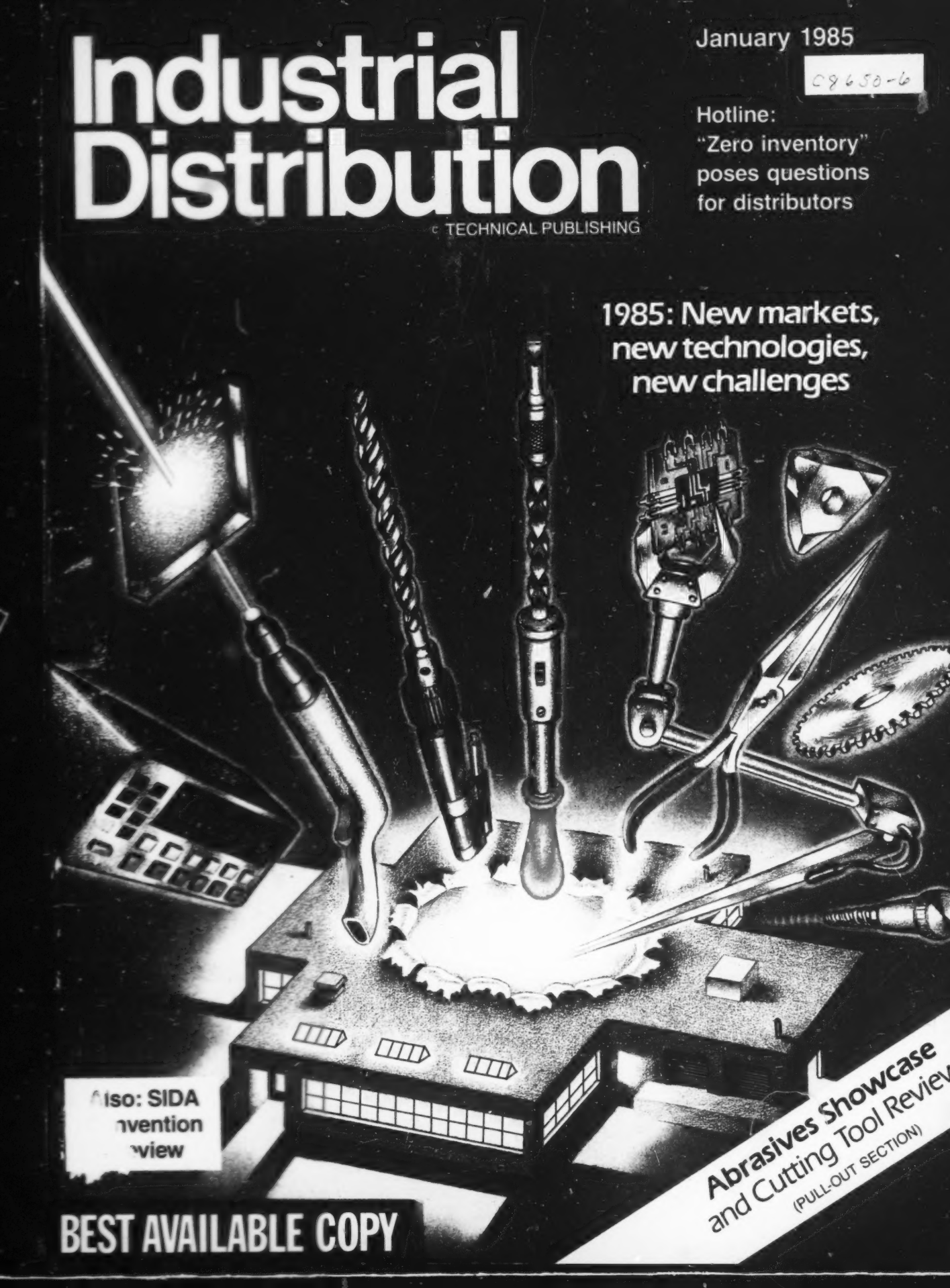
1985: New markets, new technologies, new challenges



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ID Industrial Distribution

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If you sell electric motors, you should demand a few extras from your motor supplier. Like extra service: before, during and after each sale.

You should demand a supplier with their ear to the ground and their eye on your future. In short, a company that really cares about your business, and *not just theirs!*

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And, because we understand the demands of your business, we provide close-by factory warehouses to cut freight expenses, trim inventory, and still insure fast delivery for your customers.

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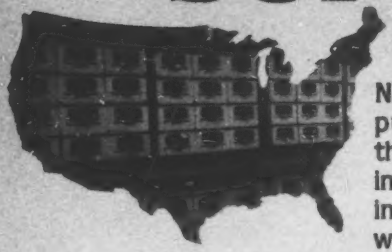

Leeson has hundreds of different, energy-saving NEMA general and definite purpose motors, single or three phase, from ¼ to 125 HP, in 21 well-stocked warehouses in the U.S. and Canada. And we're planning more right now.

We'll back you with 29 sales offices and our factory Distributor Services Department. Your single information source for order entry, expediting, delivery and pricing — someone's always here to help.

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NEWS...

Indicators . . .

All three key indices retreated this month as concern increased over the growing Federal deficit and a worsening trade imbalance. The NIDA-SIDA *Industrial Distribution Index* for October dropped 2.4 points from September to register 136.5 nationally. The biggest loss during the month occurred in the South which lost 6.7 points, accounting for most of the national decline. The East gained fractionally while the Midwest and West showed modest declines. Despite the drop, with the exception of August and September of 1984, the current figure is still higher than at any time since November of 1981 . . . The September SIDA *Monthly Sales Trend Report* retreated 9.80 points with all regional areas showing losses ranging from a moderate 5.53 drop in Area 2 (FL, GA, SC, Puerto Rico) to a 13.20 loss in Area 1 comprising NC, VA and WV. Despite the drop, September '84 is 3.55 ahead of September '83 and '84 year-to-date shows an 18.47 point improvement over year-to-date '83. Of the 105 locations reporting, 68 reported decreased sales in September vs August 1984 . . . ASMMA's *New Order Index* also dropped in September down to 121.0 which represents an 8.1 or 6.3% decline from August. Despite the drop the Index for September is 16 points higher than September '83 and 28.9 points above September '82 . . . American Machine Tool Distributors' Assn. *Distributors' New Orders Trend* rose by a minute 0.6% in September to 66.9 from 66.5 in August. In September '83 the index stood at 47.8 . . . The National Hardware Assn. *Hardware Sales Index* increased to 113.9 in October from 111.8 in September while daily average sales in the month declined by 4.2%. The Southeast region showed the strongest index gain registering a 13.9 point increase over September. Biggest losers were the East Central states which showed a 13.7 drop in October . . . The National Assn. of Aluminum Distributors *Quick Pulse Index* shows shipments advancing to 127.3 in October from 123.1 in September for 3.4% increase. The National Welding Supply Assn. *Welding Supply Index* jumped to 196.6 in October, a 23.7 point increase over September and the highest level since the index began in 1977.

REGIONAL REPORT

Sales rebound in October

After sharp drops in August and September, distributor sales for October increased significantly, up 25% compared to October '83.

All of the regions reporting were up by similar figures with the Middle Atlantic the high at 28%, Pacific the low at 20%. All of the areas reporting were also positive for both general liners and specialists, with Oregon-Washington the high at 41%, Wisconsin the low at 22%. No negative sales figures appear at all in year-to-year statistics.

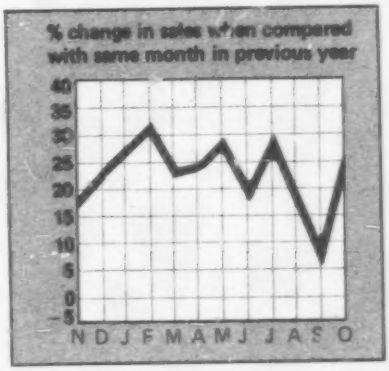
Month-to-month statistics for October confirm the reversal with the U.S. Totals up 13% compared to −8% in September. Only two negatives appear in this list, general line distributors in PA at −1%, and specialists in OH at −2%. In the September figures, negatives predominated in both regions and areas.

Figures for the first 10 months of '84 continue to be positive. A gain of 21% nationwide compares to 20% in September, and is indicative of the strong year 1984 has been. In regions, Upstate New York is having the best cumulative sales at 27%, West North Central the low at a still respectable 16%. Most of these figures, in double digits, will probably hold up and close out the year.

Receivables have begun to fall, with most all the figures comparing favorably with last month's statistics. The national average for both general liners and specialists could break under the 40-day mark within the next few reports. Regionally, on average, Middle Atlantic is the high at 45.5 days, while South Atlantic and West North Central share the low at 36.5.

RECEIVABLES*	Oct. '84 Gen.	Oct. '84 Spec.	Oct. '83 Gen.	Oct. '83 Spec.
New England	46	—	41	—
Middle Atlantic	46	45	47	45
South Atlantic	36	37	35	35
East North Central	39	41	39	42
East South Central	37	—	36	—
West North Central	34	39	—	38
West South Central	—	44	—	38
Mountain	—	—	—	—
Pacific	41	40	43	39
National	40	41	40	40

*Average days outstanding



October sales sharply higher . . .

SALES BY REGIONS (% change)	Oct. '84 vs Sept. '84 Gen.	Spec.	Both	Oct. '84 vs Oct. '83 Gen.	Spec.	Both	1st 10 mos. '84 vs 1st 10 mos. '83 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+16	—	—	+18	—	—	+19	—	—
Connecticut	+15	—	—	+21	—	—	+25	—	—
Massachusetts	+17	—	—	+19	—	—	+15	—	—
MIDDLE ATLANTIC: NY, NJ, PA	+12	+16	+15	+45	+19	+28	+20	+19	+19
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	+19	+11	+16	—	+11	—	+29	+24	+27
Pennsylvania	−1	+35	+18	+14	+29	+23	+13	+18	+16
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+14	+12	+13	+17	+25	+21	+19	+16	+18
SC, VA, WV	—	—	—	—	—	—	—	—	—
Georgia-Florida	+11	—	—	+15	—	—	+8	—	—
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+16	+7	+9	+19	+26	+23	+20	+23	+22
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+20	+7	+9	+24	+21	+22	+16	+34	+21
Chicago	—	—	—	—	—	—	—	—	—
Michigan	—	—	—	—	—	—	—	—	—
Ohio	+23	−2	+8	+27	+20	+23	+19	+25	+23
EAST SOUTH CENTRAL: AL, MS, KY, TN	+12	—	—	+34	—	—	+38	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+8	+28	+23	+3	+28	+24	−3	+20	+16
WEST SOUTH CENTRAL: AK, LA, OK, TX	—	+19	—	—	+18	—	—	+16	—
Texas	—	+19	—	—	+18	—	—	+16	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+15	+12	+14	+27	+37	+20	+24	+21	+23
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	+33	+15	+23	+41	+42	+41	+24	+16	+20
U.S. TOTALS	+14	+13	+13	+27	+24	+25	+22	+20	+21

1985: New markets, new technologies, new challenges

Although slower growth is predicted for 1985 by just about every major economist, a demand in select industries for new and redesigned products reflecting the latest state-of-the-art offers the distributor unusual profit opportunities.

The health of the national economy no longer guarantees, as it once did, healthy regional business conditions throughout most of the country. Factors such as product imports, oil gluts, rapidly changing markets based on new products and new technologies, and new state and local taxes all impact on a given region's business climate. Indications are that 1985 will be a more sobering if less robust year than 1984, with the emergence of some new and important trends influencing the growth of new industries and the further decline of some traditional ones.

According to Labor Dept. statistics, since 1979, 2.4 million jobs have been lost in high paying industries such as manufacturing, mining and construction, while 4.2 million new jobs have been created in lower paying service industries such as wholesale and retail trade, and personal and legal services. It seems obvious now that this trend is not about to reverse itself, but is most likely to continue. While some of this change is due to a declining U.S. market—especially in the steel industry—a good part is also due to high tech and automation. But for distributors, in particular, it is important to put this in its proper perspective and not get carried away by the high tech syndrome sweeping the country.

by Milton J. Ellenbogen
Managing editor

An analysis of the current state of distribution now that the economic upturn has moderated reveals that distributors' fears about dramatic changes in the way they operate are unfounded. For example, predictions of a flood of high tech innovations that would affect their inventories and operations, and other predictions that decline of the smokestack industries would continue, were overstated. The fact is industrial distributors are still doing the bulk of their business with the same products and the same customers.

> 'With the auto industry leading the way, robots will continue to make a dent in the work force.'

Generally, there have been some significant changes but they were mainly evolutionary. At this point, distributors are busier studying the challenges of high tech and changing markets than they are investing heavily to meet the new challenges, which might prove premature.

Following are summaries of some of the challenges and opportunities foreseen for industrial distributors in 1985 and beyond.

Robots and automation

With the auto industry leading the way, robots will continue to make a dent in the work force. As expected, initial purchase of robots along with computer-aided design and manufacturing equipment for factory automation, have been highly specialized purchases. However, the market for replacement parts as well as customized expansion will almost surely involve distributors where they measure up to the needed requirements.

Industry's move into ever-higher degrees

1985: Consensus of major economists (averaged)
% Change From Prior Quarter

	Real GNP	Consumer Prices	Industrial Production
1st Qtr.	3.0	5.3	4.7
2nd Qtr.	2.7	5.6	3.5
3rd Qtr.	2.5	5.8	2.7
4th Qtr.	2.4	6.0	2.6

Source: Blue Chip Economic Indicator

Expenditures for new plant and equipment

	$ Value (in billions)	% increase (over previous yr.)
'83	302.5	—
'84	350.6 Est.	13.7 Est.
'85	377.7 Est.	4.6 Est.

Source: McGraw Hill Economics

of automation will force distributors into restocking and retraining programs. Simple automation no longer exists. The newer technologies impinge on each other. For example, today there are vision systems that link video cameras with computers to perform visual inspections of parts and instruct assembly lines, which may include robots, to perform specific tasks on the factory floor.

Products familiar to the distributor are being modified or improved to meet new standards of precision and versatility. These include, among others, fluid power components such as control valves, actuators, pumps and fluid motors; servos and other mechanical or electromechanical power transmission elements; sensing and handling subsystems; and many of the cutters and other tools in direct contact with the workpiece in the automated unit.

Watch for more distributors, particularly those now in mechanical power transmission, to transfer their expertise to fluid power as an adjunct to their current specialty. Reason: ultra-smooth motion at precisely controlled speeds and distances is a must in automation, particularly in robotics.

Watch also for distributors to inventory products previously considered either an unusually exotic specialty or once the exclusive bailiwick of the electronic distributor. Now being given off-the-shelf status are such items as programmable controllers, digital devices, ultra-precise electrical switching units, electronic machine modules, new and more sensitive sensors and feedback mechanisms, etc.

With manufacturers across industry aiming at becoming the well-publicized "lower cost, higher output producer," most modernization or expansion plans as of today will include some form of labor-saving, zero-reject, higher-speed automatic equipment. As a result, demands for the many off-the-shelf items that will sustain such operations will fall into the laps of distributors once the systems are in operation.

Safety equipment market changing

Consider the impact robotics alone is having on the types of safety supplies generally sold by distributors. Welding and painting robots don't need safety glasses, can dip items into hot or corrosive chemicals without gloves, can operate in high-decibel noise areas without earplugs, can tolerate highly polluted atmospheres without masks. And OSHA is slicing even further into the safety equipment catalog by relaxing some of its 78,000 or so original requirements. But while some kinds of safety equipment are generating less and less revenue for the distributor, other markets are taking up the slack.

Environmental protection is one of those. To be sure, EP will require gloves, masks and most of the conventional safety products sold by distributors but most will be augmented by more sophisticated devices, among them air monitoring units that will help avoid accidents before they can occur, special uniforms, devices for newer and more efficient waste treatment systems, and more products that in many cases are still to be invented to handle the increasingly tough standards being imposed by government on treatment, disposal and reclamation of waste.

> '. . . builders and developers have considerable confidence that the economic recovery will continue.'

The Environmental Protection Agency is expected to have a substantial budget to work with in cleaning up hazardous waste sites in 1985, and most probably for the rest of the decade. Service-type companies which supply manpower to do the jobs, are expected to do very well in gaining new contracts. According to the EPA, state governments are authorized to request funds from the agency for specific waste management projects. When the funds are approved, the state hires the companies it wants to handle the jobs. The EPA then monitors these companies as to costs, progress, etc. As of October 1984, since the beginning of the year, 528 contracts were awarded nationwide worth a total of $142 million. For a list of these companies, distributors should contact the office in their state responsible for issuing contracts. A further check with specific companies will reveal the many sophisticated types of safety equipment required. Almost all of these products can easily be stocked and sold by local distributors.

Construction market shaky

Since 1979, the commercial market has been experiencing an unparalled boom. Current projections indicate that building will continue at least into the first half of '85 despite the fact that the supply of space has already outstripped demand. In addition to offices, the building of hotels and motels have also outstripped demand and in some areas of the country, vacancy rates have prompted drops in room rates. With residential construction spotty and erratic, the construction industry could be in for a rough 1985, especially in the second half. Additionally, a provision in the new tax law, if it gets through committee and is approved by Congress, would eliminate deductions on mortgage interest for second homes, discouraging potential buyers and further reducing demand.

Nevertheless, builders and developers have considerable confidence that the economic recovery will continue. The availability of money plus modest increases in construction costs are apparently enough to prompt builders to begin their projects before conditions change.

Another positive factor is industrial construction. Having deferred new construction because of the poor economy and high interest rates, many manufacturing companies with outmoded facilities have been patiently waiting to jump in. With rates now falling, builders are expecting this area of construction to heat up soon, unless, of course, there is a marked downturn in the economy.

One area of distribution that hopes builders are right are pipe, valve and fitting (pvf) distributors. They have seen the entire industry hurt the past several years by intense price cutting. With many if not most American manufacturers buying product from other countries, especially Japan, distributors would like to see a period of stability in pricing and progressive growth in what has been disappointing demand.

If the industrial construction market heats up as some analysts are predicting, hardware such as blind rivets, drill bits and specialty fasteners will see another strong increase in demand on top of a healthy 1984. Other product areas benefitting should include air tools, hydraulic tools, lifting equipment, pipe tools and portable electric tools.

Oil drilling and product demand

Anticipation that the expansion of business in the U.S. would spur the use of oil, keep prices high and increase the demand for products in the domestic oil drilling industry has now faded. New oil strikes motivated by the Arab oil embargoes of the 70s have matured and come on line for

several non-OPEC countries, reaching the point where the OPEC monopoly, if not broken, has certainly cracked. With abundant supplies plus the incorporation of alternate energy sources, falling prices have discouraged domestic drillers and lessened demand for associated products. If oil prices continue to fall in '85, petrochemical products such as nylon, rayon, etc. will begin to follow suit c using ripple affects in their respective industries.

In the rubber area, hose and belt remain depressed in oil-producing states. It is not likely to see a meaningful increase in business here in 1985. The resurgence of the domestic auto industry has somewhat softened the decline, although rubber specialists in oil-producing states may disagree with this assessment.

According to the Rubber Manufacturers' of America's Industrial Products Div., which compiled a statistical forecast from its approximately 80-member companies, the projection shows a higher than normal growth pattern for the first half of '84, an easing in the second half of '84, and a five year period from 1984 to 1989 in which a 2% to 3% real growth pattern should reflect the normal historical growth trend for hose and belting.

Unlike pvf, domestic fabricators and sellers of rubber products have managed to keep control of the U.S. market, and distributors are faring rather well, especially in the MRO area of the business.

Specialty tools and heavy duty pvf are also dependent on the oil drilling market and distributors here are most likely to play a holding game in 1985.

Industrial parks to increase

Industrial parks, also called *science parks* and *high tech parks* are being planned in record numbers according to a study made by Batelle's Columbus Div., Columbus, OH. Titled *An Overview of Trends in Science and High Technology Parks*, the study cites the present Administration as favoring and abetting this planned growth as a means of enhancing overall economic activity in the country. The newer parks are designed around campus-like sites, and often combine office space rental with research and development enterprises and light manufacturing companies. They will also provide more services for tenants including restaurants, conference centers, and ties to universities in the area. It is hoped that all of this concentrated activity will draw support services on its periphery such as motels, fast food restaurants, banks, exercise facilities, general merchandise stores, etc. Because the accent will be on high tech research and light manufacturing, the industrial distributor can find these parks rewarding, both in start up supplies as well as MRO supplies. Unlike the concentration of parks in the past in such areas as Silicon Valley in California or Route 128 around Boston, the diversity of businesses inside these new parks should spread the demographics across many areas of the country. Many suburban and rural areas are beginning a heated competition to attract these new business enterprises.

Another type of industrial park (differentiated from the above, which discourages warehousing-type businesses) is designed specifically for production, service and distribution. These are not suited for high tech activity, but because of their design are expected to be well suited for industrial distribution branches or major headquarters.

Consultants bullish on '85

While reluctant to forecast economic conditions too far into 1985, consultants unanimously felt that for at least the first half of the year, business conditions in the distribution industry would remain healthy.

> '. . . some high tech products such as automated delivery systems . . . are expected to enter the marketplace.'

"Unless we fall off a cliff economically," states Peat Marwick's Dan Cooper, a New York-based distributor consultant, "I don't think we'll see any major difference from what most businesses in the field expect, that is, a more steady pattern of growth. For example, I don't think you'll see an industrial distributor going from $2 million-$5 million in revenues, but I don't think he's going to see a break on the downside in his operation either. It just doesn't look like a disruptive year either up or down."

Walter F. Friedman, president, Walter Frederick Friedman & Co., Inc., West Orange, NJ, a physical distribution specialist, states that in terms of the continuing health of the economy, "we're experiencing no negatives here at all." Friedman is alluding to the first quarter of '85 in which his backlog for designing new and expanded facilities is strong. "Distributors, just like manufacturers," says Friedman, "want to buy new equipment and make use of the latest technology to improve production and reduce costs."

Agreeing with this assessment is Herbert W. Davis, president, Herbert W. Davis & Co., Englewood Cliffs, NJ, who adds: "The consulting business for distribution is very strong which means that there is action taking place in the field for the design and improvement of new or expanded plants that should carry through to at least the first half of 1985."

Both consultants see plant expansion both in and out of distribution as contributing to a demand for all types of material handling products in 1985, with the addition of programmable controllers and other devices aimed at streamlining operations. In addition to fork lifts, bins, racks, and other types of shelving, some high tech products such as automated delivery systems, and computer-controlled pick and store systems are expected to be introduced.

Hand tools and imports

Perhaps no area of manufacturing has been hurt more in 1984 than hand tools. Cheap as well as quality hand tools from abroad have flooded the U.S. market and forced distributors to stock more off brand hand tools than ever before. The total market for non-power workshop tools such as hammers, saws, screwdrivers, wrenches, etc. is estimated at $1.2 billion, with the professional tool market for contractors and auto mechanics at approximately $1 billion. Although 1984 figures are expected to show a strong growth in the sale of hand tools, a substantial part of the sales in this market are expected to have gone to importers.

Some of the large American manufacturers are expected to do well in 1985, while the smaller companies are expected to lose market share. Where does the industrial distributor stand on this? Unfortunately, they do not have much choice. As the gap widened between domestic and foreign manufactured hand tools in '84, the end user made less and less distinction as to quality or brand. Price became the dominant factor.

The Conference Board's Statistics for '85

The following statistics were gleaned last October from The Conference Board's panel of 41 leading U.S. financial executives surveyed twice a year.

- The U.S. economy will avoid serious inflation and remain recession-free in 1985, registering real growth of 3.5% in '85 and 2.7% in '86.
- The rate of inflation will rise moderately to 4.8% in '85 and 5.3% in '86.
- The prime rate and the rate for triple-A corporate bonds will average 13.1% in 1985. Modest declines in short and long term rates are anticipated in '86.
- The stock market will rise modestly to 1238 on the Dow-Jones average in '85, and to 1273 in '86. The low will not be less than 1000.
- The U.S. dollar will weaken in relation to other major currencies by next spring. The British pound, German mark and Japanese yen will strengthen against the dollar by next March.

Only if the dollar significantly weakens abroad, and imports become more costly to the American user, will domestic manufacturing recover. However, it is doubtful that it will ever regain the market share this industry once enjoyed.

Innovative products can beat imports

As few industries are untouched by the stream of low cost imports, and some industries appear devastated by it, innovation in American made products are beginning to loom as America's most important edge over foreign competition. In the cutting tool

> 'Distributors would be well served to query their suppliers and find out what's on the new products drawing board.'

industry, for example, where the projections are for little growth in 1985 except for the armament and aircraft industries, more efficient machinery and exotic saw blades that cut new alloys at higher production rates are product improvements that lead foreign competition. Distributors that stock quality products for industries where cutting tools must be first rate, are expressing optimism with what is coming from American manufacturers. However, good products cannot overcome some very weak industries for cutting tools, as in the farm area of the country, where plant closings and consolidations continue.

Factory automation is another area where innovations in material handling equipment to move material as fast and efficiently as possible, is lifting industry business projections, according to a recent report by Frost & Sullivan, a New York-based market research firm. The total consumption of material handling equipment and systems will grow from $2.8 billion in 1983 to approximately $5.8 billion by 1988 (both in current dollars), according to the report. Keys to the improvement, it states, are modern equipment combined with computer control systems.

Distributors would be well served to query their American suppliers to find out what's on the new product drawing board, how it will improve and be a state-of-the-art advantage over what's currently on the market, and when it will be available. Having advanced product knowledge and education are not only beneficial to the continued good health of your operation, but also that of American manufacturers. □

Under the microscope

The past year has heralded some new ideas or methods of doing business for the industrial distributor, all aimed at better productivity and higher profits. However, it doesn't always work out that way. Conditions change, ideas are modified, and sometimes because the industry isn't ready, they're just dropped. Here is an examination of four of the most often mentioned "hot" ideas for industrial distributors to latch on to in 1985.

• **Bar coding**. Paperback books, canned goods and a host of other products in many industries are now using bar coding effectively. Its value as an inventory tool, in overall record keeping, is indisputable. But is it for the industrial distributor? The answer is yes *only* if a meaningful number of suppliers unite to standardize the type of code used and take appropriate action. This has not been the case, even though distributor associations have been doing their part in trying to bring the parties together. Although some progress will be made in '85 toward this end, it is doubful that bar coding will be useful or practical to utilize at this stage of its development.

• **Telemarketing**. This seems to have come into its own in 1984, or has it? There have been more seminars, more specialists, more companies offering their services in this field than ever before. Yet there may be good reason not to jump on the bandwagon. The main reason to go to telemarketing is to cut down on the cost of sales calls, delegate smaller accounts or potential new accounts to machines or inside people, and have your outside sales force make the important calls. However, several changes have occurred that lessen and may possibly eliminate these advantages. The cost of gasoline has been falling slowly but steadily throughout 1984, and it appears will continue to fall into the first half of 1985. Overbuilding of hotels and motels are beginning to have an affect on rates. In addition to declining rates, deals are coming into vogue which could reduce the cost of stays for steady travellers significantly. And finally telephone rates are climbing all over the country since the breakup of AT&T, and increases are expected to continue for the next two years. Weighing the changing economics, a good old fashioned sales call may be the best way to sell after all.

• **Just-in-time Inventory**. Called J.I.T. or *zero-based inventory*, most distributors know by now what this means. Specifically, it means getting to the user or assembler or manufacturer the parts needed for assembly at just the right time. In so doing, there is little need for the assembler to stock inventory. The whole system is supposed to back up to the point where everything moves in an effective, streamlined unison. Less carrying costs, less waste, finely tuned productivity. The question is where does the industrial distributor fit into the picture? Must his inventory be pared back accordingly? Must his delivery be just-in-time too? No one is really sure. One thing is sure. Manufacturers are beginning to go to J.I.T. This means that changes, new ways of operating, will have to be made. By having good inventory, distributors may end up being excellent sources of supply when shipments from manufacturers to OEM's go awry, are underestimated, etc. It seems implausible for distributors to deplete their inventories to accommodate a just-in-time market. It's just too precarious. Whatever the changes, 1985 looms as a good bet to be the year when everyone finds out.

• **High Tech**. High technology is a euphemism for the most advanced products available today. The confusion is in the product. An electric toothbrush might have a microchip inside controlling its rate of vibration and its type of motion. Is the toothbrush a high tech product? Generally speaking, yes. Any product that makes use of the latest technology in its operation has come to be called a high tech product. Extending this reasoning, tools that assist the end user in putting together the high tech product are now called high tech tools. They could be special pliers, magnifiers, drills, etching equipment, etc. The Electronics Industry Assn., as well as a host of sophisticated electronic component manufacturers would love to see industrial distributors begin carryng more than these tools and related equipment. They believe that because the distributor has established customers in industrial markets, he has a natural entré to plants that the electronic distributor doesn't even know about, much less ventures into. He can therefore introduce and stock a full line of electronic components the end user can utilize to further sophisticate his products. Even though technical support is promised by these electronic companies for the industrial distributor, there have been few takers. The "high tech" slogan may fade,or be replaced by something else, but the upgrading of products to reflect the latest technology will be with us for a long time.

ID's QUARTERLY INFLATION INDEX

For the second quarter in a row the *Silver/ID Inflation Index* rose at an annual rate of just barely over 1.0. For the last 12 months (October '84 vs. October '83) the rise in prices for our index was only 2%. For all of 1983 the rise was this same 2% and with only two months left to complete our index for 1984 we can say with confidence that the annual inflation rate for all of 1984 will also be about 2%. The first quarter of 1984 had started with a rise at an annual rate of 4.4%, but it now appears that this must have been because vendors shot their bolt at the beginning of the year.

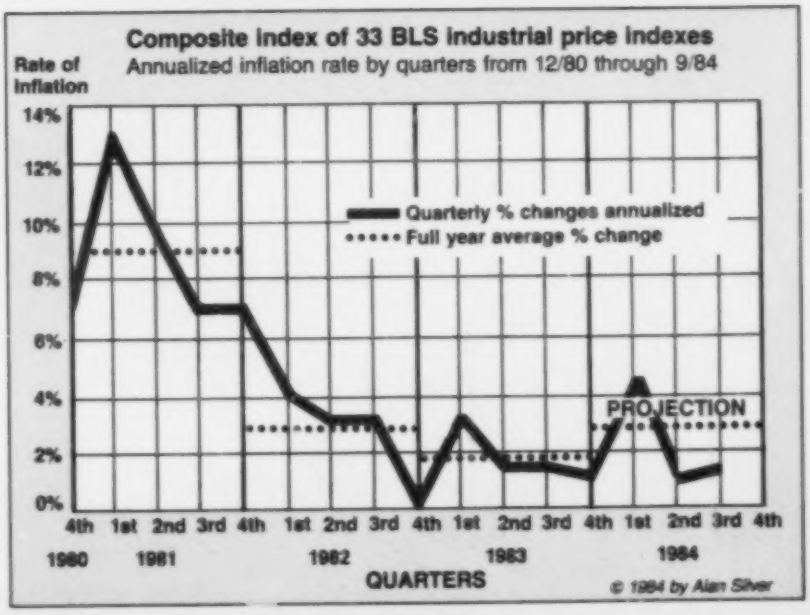
Table 2 is confined to the 33 product lines of the *Silver/ID Inflation Index*, plus the composite inflation rate of the *NIDA/SIDA Index*. Table 1 shows the inflation rate of a number of other durable goods wholesaler inflation indexes. Note that the NIDA/SIDA composite index of 10 product lines shows a current inflation rate about 1% higher than ours. But for the last year these two indexes showed an almost identical inflation rate, and over the long run they are remarkably similar in their trends.

Of the 33 product lines in our index, 22 rose (however slightly), six fell, and five were unchanged from the prior quarter.

Table 1—Comparing inflation indexes

	*BLS inflation rates (%)			
	Current qtr 9/84 vs 6/84 annualized	Year-to-date 9/84 vs 12/83 annualized	9/84 vs 9/83	12/83 vs 12/82
Silver/*ID* index of 33 industrial product groups	1.28%	2.20%	1.97%	1.96%
NIDA/SIDA index of 10 industrial product groups	2.16%	3.08%	3.31%	1.67%
**PPI index of industrial commodities	– 1.84%	2.13%	1.61%	1.08%
Avg. of above indexes	0.53%	2.47%	2.30%	1.55%
**PPI index of finished goods (indl/agric)	– 1.48%	1.25%	1.65%	0.70%
Silver/Wholesaler index of 13 lines (plmgb/htng)	1.28%	4.06%	3.68%	3.95%
Electrical Marketing index of 24 product groups	– 2.24%	3.80%	2.87%	4.05%
***NAED inflation index: 16 product groups	4.04%	4.82%	4.38%	6.60%
Consumer Price Index	4.88%	4.83%	4.21%	3.80%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.



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ID's QUARTERLY INFLATION INDEX

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	Current qtr 9/84	Previous qtr 6/84	% inflation	Current qtr. annualized %	Year-to-date 9/84 vs 12/83 %	Year-to-date 9/84 vs 12/83 annualized %	Last 12 months	4th qtr 83	4th qtr 82	Annual inflation 83 %
**Industrial oil	372.7	372.7	0.00	0.00	0.27	1.33	1.08	371.7	372.9	−0.3
Prepared paint	277.4	270.8	2.44	9.72	4.71	6.28	4.88	264.9	265.1	−0.1
Rubber belts & belting	347.3	352.3	−1.42	−5.68	−3.95	−5.27	5.40	334.1	328.1	1.8
Other misc. rubber products	304.5	295.9	2.90	11.60	2.11	2.81	−0.23	298.2	294.3	1.3
Plastic construction products	169.0	173.0	−2.31	−9.24	−0.71	−0.95	−0.53	170.2	153.1	11.2
Semi-finished steel products	374.1	371.6	0.67	2.68	1.11	1.48	0.81	370.0	368.7	0.4
Wire & cable	201.0	203.4	−1.18	−4.72	−0.25	−0.33	−1.37	201.5	198.1	1.7
****Electric wire & cable	103.3	103.6	−0.29	−1.16	−0.10	−0.13	0.10	103.2	100.0	3.2
****Building wire & cable	96.1	101.7	−5.50	−22.00	−8.39	−11.18	−10.90	104.9	100.0	4.9
Builders hardware	299.3	296.8	0.84	3.36	2.96	3.95	3.56	290.7	272.6	6.6
*Hand tools	359.7	357.0	0.75	3.00	2.48	3.31	4.14	351.0	342.1	2.6
*Misc. metal products	295.6	294.5	0.37	1.48	2.18	2.91	2.75	289.3	288.7	0.2
***Industrial safety eq.	136.5	134.2	1.71	6.84	2.25	3.00	1.64	133.5	130.6	2.2
*Bolts, nuts, screws & rivets (fasteners)	276.8	282.2	−1.91	−7.64	−1.88	−2.51	3.83	271.7	270.0	0.6
*Power-drive hand tools	225.1	221.0	1.85	7.40	1.90	2.53	2.13	220.9	221.6	−0.4
Welding machines & eq.	283.0	281.2	0.64	2.56	3.59	4.79	3.66	273.2	273.1	0.04
*Cutting tools & accessories	280.1	277.9	0.79	3.16	1.56	2.08	1.74	275.8	272.1	1.4
Precision measuring tools	253.3	253.3	0.00	0.00	3.64	4.85	3.18	244.4	241.5	1.2
*Abrasive products	310.4	310.4	0.00	0.00	1.70	2.23	2.21	305.2	298.4	2.3
Metal cutting machine tools	386.8	383.3	0.91	3.64	1.98	2.64	2.46	379.3	372.7	1.8
Metal forming machine tools	425.7	424.1	0.37	1.48	0.73	0.97	2.45	422.6	411.8	2.6
Pumps, compressors & eq.	349.6	349.4	0.05	0.20	0.95	1.27	1.10	346.3	348.2	−0.5
Fluid power eq.	260.9	258.7	0.85	3.40	2.60	3.47	2.80	254.3	248.9	2.2
*Industrial material handling eq.	290.6	288.7	0.66	2.64	1.43	1.91	1.86	286.5	286.9	−0.1
*Mechanical power transmission eq.	330.2	323.8	1.98	7.92	3.06	4.08	4.63	320.4	312.0	2.7
*Metal valves, (except fluid power)	102.8	102.0	0.78	3.12	2.70	3.60	3.32	100.1	100.0	0.1
*Metal pipe fittings	107.7	105.6	1.10	4.40	4.26	5.68	6.85	103.3	100.0	3.3
Ball & roller bearings	344.1	337.9	1.83	7.32	3.27	4.36	3.58	333.2	335.3	−0.6
Plain bearings	264.4	264.4	0.00	0.00	1.70	2.23	0.34	260.0	257.0	1.2
Wiring devices	357.0	356.5	0.14	0.56	4.42	5.89	6.06	341.9	327.8	4.3
Electrical instruments	202.7	201.6	0.55	2.20	−0.45	0.60	−0.45	223.7	261.9	4.9
*****Electric motors	104.1	104.1	0.00	0.00	3.69	4.92	−0.98	100.4	298.8	5.2
*****Generators & generator sets	102.4	101.7	0.69	2.75	1.69	2.25	−1.00	100.7	331.1	−8.0
*NIDA/SIDA composite	306.0	304.3	0.56	2.24	2.31	3.08	−0.34	299.1	294.2	1.7
Silver/ID composite	295.6	294.7	0.32	1.28	1.46	2.00	1.79	290.8	285.2	2.0
*Included in NIDA/SIDA composite										

** 12/73=100 *** 6/78=100 **** 12/82=100 ***** 6/83=100

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